

ORIGINAL



0000017579

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS:

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

In the matter of:

YUCATAN RESORTS, INC., d/b/a
YUCATAN RESORTS, S.A.,
3222 Mishawaka Avenue
South Bend, IN 46615;
P. O. Box 2661
South Bend, IN 46680;
Av. Coba #82 Lote 10, 3er. Piso
Cancun, Q. Roo
Mexico C.P. 77500

RESORT HOLDINGS INTERNATIONAL,
INC. d/b/a
RESORT HOLDINGS INTERNATIONAL,
S.A.,
3222 Mishawaka Avenue
South Bend, IN 46615;
P. O. Box 2661
South Bend, IN 46680;
Av. Coba #82 Lote 10, 3er. Piso
Cancun, Q. Roo
Mexico C.P. 77500

WORLD PHANTASY TOURS, INC.
a/k/a MAJESTY TRAVEL
a/k/a VIAJES MAJESTY
Calle Eusebio A. Morales
Edificio Atlantida, P Baja
APDO, 8301 Zona 7 Panama

MICHAEL E. KELLY and LORI KELLY,
husband and wife,
3222 Mishawaka Avenue
South Bend, IN 46615;
P. O. Box 2661
South Bend, IN 46680;

Respondents.

DOCKET NO. S-03539A-03-0000

**RESPONDENTS' JOINT NOTICE OF
FILING LETTER TO BETTIE J.
MAZEL DATED APRIL 4, 2005**

RECEIVED
2005 APR -4 P 4:40
AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission
DOCKETED

APR 04 2005

DOCKETED BY

AK

1 Attached is a letter, with attachments, to Bettie J. Mazel dated April 5, 2005 to be filed with
2 Docket Control.

3 RESPECTFULLY SUBMITTED this 4th day of April, 2005.

4 ROSHKA HEYMAN & DeWULF, PLC

5
6 By 

7 Paul J. Roshka, Jr., Esq.
8 James M. McGuire, Esq.
9 One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004
602-256-6100
602-256-6800 (facsimile)
Attorneys for Respondent
Michael E. Kelly

and

13 Martin R. Galbut, Esq.
14 Galbut & Hunter, A Professional Corporation
2425 East Camelback, Suite 1020
Phoenix, Arizona 85016
Attorneys for Respondents Yucatan Resorts, Inc.,
Yucatan Resorts S.A., RHI, Inc., and RHI, S.A.
and

18 BAKER & MCKENZIE, LLP
Joel Held, Esq.
Elizabeth L. Yingling, Esq.
Jeffrey D. Gardner, Esq.
2300 Trammel Crow Center
2001 Ross Avenue – Suite 2300
Dallas, Texas 75201
Attorneys for Respondents
Yucatan Resorts, Inc.; Yucatan Resorts, S.A.; RHI,
Inc.; RHI, S.A.

ROSHKA HEYMAN & DEWULF, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
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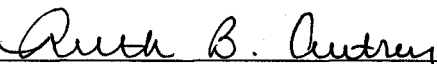
1 ORIGINAL and thirteen copies of the foregoing
2 hand-delivered this 4th day of April, 2005 to:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

7 COPY of the foregoing hand-delivered
8 this 4th day of April, 2005 to:

9 Marc E. Stern
10 Administrative Law Judge/Hearing Officer
11 Hearing Division
12 Arizona Corporation Commission
13 1200 West Washington Street
14 Phoenix, Arizona 85007

15 Jamie B. Palfai, Esq.
16 Matthew J. Neubert, Esq.
17 Securities Division
18 Arizona Corporation Commission
19 1300 West Washington Street, 3rd Floor
20 Phoenix, Arizona 85007

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kellym.acc/pld/joint notice of filing ltr to Bettie Mazel.doc

ROSHKA HEYMAN & DEWULF

ROSHKA HEYMAN & DEWULF, PLC
ATTORNEYS AT LAW
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET
SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

April 4, 2005

Ms. Bettie J. Mazel
1680 N. Agenda Azahar
Tucson, AZ 85741

Re: Docket No. S-03539A-03-0000
In the Matter of: Yucatan Resorts, Inc., et al.

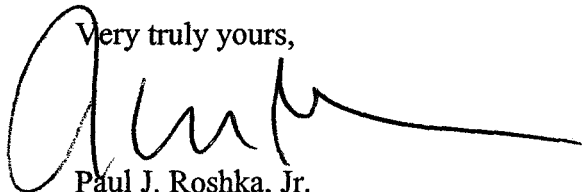
Dear Ms. Mazel:

I represent Michael E. Kelly, who is one of the Respondents in the above captioned matter. Mr. Joel Held, of the law firm of Baker & McKenzie, represents Yucatan Resorts, Inc., Yucatan Resorts, S.A., Resort Holdings International, Inc., and Resort Holdings International, S.A. in this proceeding. We understand that you have been listed by the representatives of the Securities Division to be a witness in this proceeding by telephone.

Enclosed are documents that we may want to discuss with you when you are called as a witness. We ask that you please have these documents before you when you are called to testify by telephone.

If you have any questions, please do not hesitate to contact me.

Very truly yours,



Paul J. Roshka, Jr.
For the Firm

PJR:rba
Encl.

cc: Marc E. Stern (w/enclosures)
Joel Held, Esq. (w/out enclosures)
Jamie B. Palfai, Esq. (w/enclosures)

RESORT HOLDING

Exclusive Vacation Properties

Bettie J. Mazel
1680 N. Avenida Azahar
Tucson, AZ 85745

Dear Bettie J. Mazel:

At Resort Holding International, we strive to improve our service to you, the leaseholder. In an effort to maintain the quality of our service, we would very much like your input. As a result, we ask you to complete this questionnaire and return it to Resort Holding International, at 3222 Mishawaka Ave., South Bend, IN, 46614, in the enclosed, self-addressed envelope.

1. Are you satisfied with your Universal Lease?

☒ Yes ☐ No

Remarks:

2. Our records reflect that you purchased your Universal Lease from Janalee R. Sneva. We would like to ask you some questions about the discussions you had with Janalee R. Sneva regarding the Universal Lease.

- a. Did Janalee R. Sneva appear knowledgeable about the Universal Lease?

☒ Yes ☐ No

Remarks:

- b. Please confirm that in discussing the Universal Lease with you, Janalee R. Sneva advised you that you had the option of using the Lease Unit for your own vacation plans or for your own purposes.

☒ Yes ☐ No

Remarks:

Telephone: Cancun 011(52)(998)881-9100
Telephone: Toll Free US 1(888)838-0533
Fax: Cancun 011(52)(998)892-1223
Fax: Toll Free US 1(888)808-4685



c. Please confirm that in discussing the Universal Lease with you, Janalee R. Sneva explained to you that you could lease the Unit to third parties by placing an advertisement in the newspaper or through any method you chose.

☐ Yes ☐ No

Remarks:

d. Please confirm that in discussing the Universal Lease with you, Janalee R. Sneva explained that one of your options with respect to the Lease Unit was to hire a third party company or agency to rent the Unit for you.

☒ Yes ☐ No

Remarks:

e. Please confirm that in discussing the Universal Lease with you, Janalee R. Sneva advised you that there were several third party leasing services in Cancun.

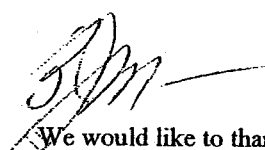
☒ Yes ☐ No

Remarks:

f. Please confirm that in discussing the Universal Lease with you, Janalee R. Sneva told you the options of using the premises for yourself, leasing the premises yourself, or using a third party leasing agent was entirely up to you.

☒ Yes ☐ No

Remarks:


We would like to thank you very much for completing the survey and helping us to maintain and hopefully improve on the high standard of service to our leaseholders.

Very truly yours,

RESORT HOLDING INTERNATIONAL S.A.

Telephone: Cancun 011(52)(998)881-9100
Telephone: Toll Free US 1(888)838-0533
Fax: Cancun 011(52)(998)892-1223
Fax: Toll Free US 1(888)808-4685

UNIVERSAL LEASE® AGREEMENT

RIGHT OF RESCISSION

The Leaseholder agrees and accepts that he/she can effect early termination of this agreement, without liability and therefore with the total refund of the sums paid for said Agreement, within 10 working days from the first working day following the signature date, provided he/she so requests Resort Holdings International, S.A. in writing delivered by hand or pre-paid US mail at the address where the transaction was effected or with the company's address and such provision cannot be waived. Having fulfilled this requirement, Resort Holdings International, S.A. shall make the refund in a period of not more than 15 calendar days. Any funds paid by Lessee shall be placed in a non-interest bearing account during the early termination period. The Leaseholder shall be given a copy of the public report before signing the document, if such is required by the state of residency of Leaseholder.

UNIVERSAL LEASE

THIS LEASE by and between RESORT HOLDINGS INTERNATIONAL, S.A. (Hereinafter called "Lessor"), and BETTIE J. MAZEL (hereinafter called "Leaseholder").

WITNESSETH THAT:

In consideration of the mutual covenants herein contained, and each and every act performed hereunder by either Lessor or Leaseholder, Lessor and Leaseholder agree as follows:

ARTICLE I LEASED UNIT

Section 1.01 Resort Property. Lessor is authorized to manage and lease a certain Group Avalon property commonly known as the Avalon Grand ("Resort") located in Cancun, Mexico.

Section 1.02 Leased Unit. Lessor hereby leases to Leaseholder subject to the terms of this Lease, and Leaseholder hereby accepts from Lessor, the fully furnished and equipped unit commonly known as Unit(s)

* _____, consisting of approximately * _____ square feet located in the Resort as shown on Exhibit A attached hereto ("Leased Unit").

ARTICLE II TERM

Section 2.01 Term. The "Term" of this Lease shall be for the * _____ week(s) of * ☐ each year or ☐ every other year for twenty-five (25) consecutive years ("Lease Week(s)") commencing on * _____ ("Commencement Date") and ending twenty-five (25) years thereafter on * _____ ("Expiration Date"). The Lease Week(s) shall correspond to the calendar week each year as set forth in the schedule attached hereto as Exhibit B. Each Lease Week(s) shall begin on a Saturday at 4:00 p.m. and end the following Saturday at 10:00 a.m.

Section 2.02 Right to Extend Term. Leaseholder shall have the right to extend the Term of this Lease ("Extension Option") for an additional period of twenty (20) years ("Extension Term") upon delivery of written notice to Lessor indicating its intention to extend, at least sixty (60) days, but no earlier than three hundred sixty (360) days, prior to expiration of the initial Term. The Extension Term shall be on the same terms and conditions as set forth herein, with the exception that the aggregate amount of the Prepaid Rent during the Extension Term shall be One Dollar (\$1.00). The Prepaid Rent for the Extension Term shall be due and payable as of the date Leaseholder exercises the Extension Option.

ARTICLE III RENT

Section 3.01 Covenant. Leaseholder covenants that it will pay all rent and any other amounts due under this Lease to Lessor's agent at P.O. Box 2661, South Bend, Indiana 46680, or such other place as Lessor may specify from time to time.

Section 3.02 Purchase Amount. (Herein after referred to as ("Prepaid Rent")) The aggregate amount of the rent during the Initial Term shall be _____ Dollars (\$ _____) ("Prepaid Rent"). The Prepaid Rent shall be payable in one (1) installment at the time of executing this Lease.

* RHI will assign resort, week(s), unit(s), and expiration at time of acceptance.

Section 3.03 Annual Operations and Maintenance Fee. Leaseholder shall pay on or before February 28 of each Lease Year the Annual Operations and Maintenance Fee as shown on Exhibit C ("**Annual Fee**"). The Annual Fee shall include Leaseholder's share of (i) all costs associated with operating and maintaining the Common Areas, and Leased Unit, (ii) the property taxes and (iii) the Lessor's insurance. The Lessor may increase the Annual Fee, however, the Lessor may not increase the Annual Fee in any Lease Year by more than the percentage increase in the Consumer Price Index ("**CPI**") during the previous calendar year plus three percent (3%). The term "**Consumer Price Index**" shall mean "Consumer Price Index for all Urban Consumers" published by the Bureau of Labor Statistics of the United States Department of Labor.

ARTICLE IV COMMON AREAS

Section 4.01 Common Areas. All area improvements provided by Lessor for the general use in common of Leaseholders and their invitees in the Resort, including but not limited to, the swimming pool, lobby, patios, parking facilities and landscaping (collectively, the "**Common Areas**"). The Common Areas shall at all times be subject to the exclusive control and management of Lessor, and Lessor shall have the right, from time to time, to establish, modify and enforce reasonable rules and regulations with respect to all Common Areas. Lessor shall have the absolute right, from time to time, to change, modify, add to or subtract from the sizes, locations, shapes and arrangements of the Common Areas, provided, any change or modification will not materially diminish the value of the Leased Unit.

Section 4.02 Right to Use. Leaseholder and its invitees shall have the non-exclusive right, in common with Lessor and all others to whom Lessor has granted or may hereafter grant rights, to use the Common Areas subject to such reasonable regulations as Lessor may, from time to time, impose. Leaseholder shall abide by all the rules and cause its invitees to also abide thereby. Lessor may at any time temporarily close any Common Areas to make repairs or changes, or for any other reasonable purpose. The Leaseholder shall not interfere with Lessor's or another Leaseholder's right to use any part of the Common Areas.

ARTICLE V OCCUPANCY, USE AND MAINTENANCE

Section 5.01 Use. Leaseholder may occupy and use the Leased Unit or Leaseholder may rent or lend the Leased Unit to a third party. No waste or damage shall be committed upon or to the Leased Unit. The Leased Unit shall not be used for any unlawful purpose and no violations of law shall be committed thereon.

Section 5.02 Lessor's Maintenance of the Leased Unit. The Lessor shall keep Leased Unit in good order, operating condition and repair, ordinary wear and tear excepted, including, without limit as to generality, the roof, the parking lot, landscaping, heating, ventilation and air conditioning system, appliances, plumbing facilities and furnishings (collectively, "**Maintenance**"). In addition, as part of the Maintenance, Lessor shall provide daily janitorial services. Leaseholder agrees to promptly notify Lessor of the need for any repairs to be done by Lessor. Leaseholder acknowledges that Lessor may contract with other parties in the future to perform such Maintenance.

Section 5.03 Care of the Leased Unit. The Leaseholder shall keep the Leased Unit clean and free from refuse at all times. The Leaseholder shall permit no injury (other than ordinary wear and tear and the effects of casualty) to the Leased Unit. In the event Leaseholder damages the Leased Unit and does not repair such damage during the Lease Week(s) in which the damage occurs or removes or takes any items located therein, Lessor shall repair such damage and replace any missing items and invoice Leaseholder for the cost of the repairs and items replaced. The invoice amount shall be due within thirty (30) days of receipt. The failure to pay such amount within the applicable time period shall constitute an Event of Default and Lessor may exercise all remedies available under Article XII.

ARTICLE VI USE OF IRA FUNDS

Section 6.01. Leaseholder acknowledges that funds held in an individual retirement account ("IRA") are subject to certain laws and regulations. These laws and regulations prohibit the use of funds held in an IRA with respect to certain transactions ("Prohibited Transactions"). Lessor has been advised that the use of funds held in an IRA account to pay the Prepaid Rent or Annual Fee is a Prohibited Transaction if the Leaseholder (i) uses the Leased Unit for the Leaseholder's own personal use or (ii) leases the Leased Unit to certain other disqualified persons. The Leaseholder understands that in the event funds held in an IRA are used for a Prohibited Transaction, the entire IRA would be disqualified and all of the assets in the IRA would be considered distributed to the holder of the IRA and that the holder of the IRA would be liable for the payment of all taxes and accompanying withdrawal penalties, if applicable, that accrue as a result of such distribution. If the Leaseholder uses funds held in an IRA to pay the Prepaid Rent or Annual Fee, the Lessor strongly urges the Leaseholder to consult his own tax advisor before using or leasing the Leased Unit. In no event, shall Lessor be liable for any taxes or penalties incurred by Leaseholder as a result of a Prohibited Transaction and Leaseholder hereby releases Lessor of any liability with respect to Leaseholder's use of funds held in an IRA to pay the Prepaid Rent or Annual Fee.

ARTICLE VII UTILITY SERVICES

Section 7.01 Facilities Provided by Lessor. All charges for water, electricity, telephone, gas and other utilities used upon or in connection with the Leased Unit are included in the Annual Fee and shall be paid by the Lessor, commencing on the Commencement Date as herein provided and continually thereafter during the Term with the exception of any long distance telephone charges.

Section 7.02 Non-Liability of Lessor. The Lessor shall not be liable in damages or otherwise, nor shall there be any abatement of Rent, should the furnishing of any utility service to the Leased Unit be interrupted by fire, accident, riot, strike, acts of God, or the making of repairs or improvements which in the reasonable judgment of Lessor are necessary, or other causes beyond the control of the Lessor, and none of the above events shall constitute an actual or constructive eviction of Leaseholder.

ARTICLE VIII INSURANCE AND INDEMNIFICATION

Section 8.01 Lessor's Insurance. Lessor shall procure and keep in effect during the Term of this Lease or any extensions thereof, insurance with respect to the Leased Unit ("Lessor's Insurance") protecting Lessor from all causes, including its own negligence in an amount that it deems reasonably necessary, but such insurance shall not cover any items of Leaseholder's personal property in the Leased Unit. The cost of Lessor's Insurance shall be included in the Annual Fee.

Section 8.02 Waiver of Claims by Leaseholder. Lessor and its agents and employees shall have no liability to Leaseholder for any injury or damages to Leaseholder, its agents, employees, customers, or invitees, or to any property of Leaseholder unless caused by Lessor's act or neglect. Leaseholder waives all claims of recovery from Lessor to the extent of insurance proceeds paid.

ARTICLE IX DAMAGE OF PREMISES, RESTORATION AND EMINENT DOMAIN

Section 9.01 Destruction. If the Leased Unit and/or Resort should be damaged or destroyed by a fire or other cause to such an extent that the cost of repair or restoration would exceed fifty percent (50%) of the amount it would cost to replace the Leased Unit and/or Resort in their entirety at the time said damage or destruction took place, then Lessor shall have the right to cancel this Lease by giving Leaseholder written notice of such election within thirty (30) days after the occurrence of such damage or destruction, and this Lease shall terminate as of the fifteenth (15th) day after the date such notice is given. In the event Lessor exercises its right to terminate the Lease, Lessor shall pay to Leaseholder as compensation for the balance

RESORT HOLDINGS
Exclusive Vacation Properties

of Leaseholder's leasehold interest, a mandatory termination fee ("Mandatory Termination Fee") equal to the amount of the Prepaid Rent. Lessor shall pay such Mandatory Termination Fee within thirty days of terminating the Lease. If Lessor does not exercise its option to terminate, then Lessor shall, at its own expense, and within two hundred seventy (270) days after the date of damage or destruction repair and restore the Leased Unit and/or Resort to substantially the same condition they were in prior to the damage and destruction.

If the Leased Unit and/or Resort should be damaged or destroyed by fire or other cause, including smoke damage, to such extent that the costs of repair and restoration would be less than or equal to fifty percent (50%) of the amount it would cost to replace the Leased Unit and/or Resort in their entirety at the time such damage or destruction took place, then this Lease shall not terminate, and the Lessor shall, at its own expense, repair within two hundred seventy (270) days and restore the Leased Unit and/or Resort to substantially the same condition they were in prior to the damage or destruction.

In the event that the Leased Unit is damaged or destroyed, including smoke damage, to such an extent that Leaseholder cannot reasonably use the Leased Unit, the Annual Fee shall be abated until such time as the Leased Unit is repaired and restored. The Term of this Lease shall be extended an additional Lease Year for each Lease Year during which there has been an abatement of Annual Fee. The opinion of an independent architect or registered engineer appointed by the Lessor as to the costs of repair, restoration or replacement shall be controlling upon the parties. The provisions of this Section are not intended to limit, modify or release Leaseholder from any liability it may have for damage or destruction.

Section 9.02 Eminent Domain. If all of the Leased Unit shall be acquired or condemned by right of eminent domain for any public or quasi-public use or purpose, then this Lease shall terminate on the date on which possession thereof is required by the acquiring or condemning authority.

Section 9.03 Damages and Compensation. Lessor reserves to itself, and Leaseholder assigns to Lessor, all rights to damages and compensation accruing on account of any such taking or condemnation or by reason of any act of any public or quasi-public authority for which damages are payable ("Condemnation Proceeds"). Leaseholder agrees to execute such instruments or assignment as may be required by Lessor, to join with Lessor in any petition for the recovery of damages if requested by Lessor, and to turn over to Lessor any such damages that may be recovered in any such proceeding. If Leaseholder shall fail to execute such instruments as may be required by Lessor or to undertake such other steps as may be requested as herein stated, then in any such event, Lessor shall be deemed to be the duly authorized irrevocable agent and attorney-in-fact of Leaseholder to execute such instruments and undertake such steps as herein stated in and on behalf of Leaseholder.

ARTICLE X ASSIGNMENTS

Section 10.01 Leaseholder agrees not to assign or in any manner to transfer this Lease or any estate or interest herein (whether voluntarily or involuntarily) and not to sublet the Leased Unit or any part or parts thereof without the prior written consent of the Lessor which consent shall not be unreasonably withheld. Consent by the Lessor to one or more assignments of this Lease, or to one or more sublettings of the Leased Unit, shall not operate to exhaust the Lessor's rights under this Article, nor to release Leaseholder or any subsequent assignor of liability for performance of the terms of this Lease.

ARTICLE XI RESTRICTIONS ON TRANSFER AND RIGHT TO REPURCHASE

Section 11.01 Right to Repurchase Leasehold Interest. At any time during the initial Term and any Extension Term, Lessor shall have the option to deliver to Leaseholder written notice that it is exercising its right to purchase the balance of the Leaseholder's leasehold interest. The amount of the purchase price of the Leaseholder's leasehold interest shall depend upon the number of years remaining in the Lease and shall be calculated in accordance with the schedule set forth in Exhibit D attached hereto. The closing shall take place within forty-five (45) days after the delivery of the notice.

Section 11.02 Right of First Refusal. Lessor has a right of first refusal to purchase Leaseholder's leasehold interest. Upon receipt by Leaseholder of a bona fide offer from a ready, willing and financially able third party, which offer Leaseholder intends to accept, Leaseholder shall notify Lessor in writing of Leaseholder's intent to sell its leasehold interest. Such notice shall also include a copy of the offer to purchase. Upon the giving of such notice, Lessor shall have the option to purchase the leasehold interest for the higher of (i) the amount set forth in the offer or (ii) the amount calculated in accordance with the schedule set forth in Exhibit E. Such option must be exercised by Lessor by delivering written notice to Leaseholder within thirty (30) days of the date Lessor receives Leaseholder's notice. If Lessor elects to purchase the leasehold interest, such closing shall be consummated within thirty (30) days after Lessor's election.

ARTICLE XII DEFAULT AND REMEDIES

Section 12.01 Event of Default. Any of the following shall be deemed an Event of Default:

Section 12.01.1 The failure to pay the Annual Fee or other monies due hereunder within ten (10) days after written notice of the failure to pay such monies.

Section 12.01.2 Leaseholder's failure to perform or observe any other covenant, term or condition of this Lease to be performed or observed by Leaseholder and the failure continues after written notice thereof is given to Leaseholder.

Section 12.01.3 The filing or execution or occurrence of:

Section 12.01.3.1 An involuntary petition in bankruptcy against Leaseholder and the failure of Leaseholder, in good faith, to promptly commence and diligently pursue action to dismiss the petition and said petition is not dismissed within ninety (90) days of filing.

Section 12.01.3.2 A petition by or against Leaseholder seeking a reorganization, arrangement, composition, readjustment, liquidation, dissolution, or other relief of the same or different kind under any provision of the Bankruptcy Act, and in the case of a petition against Leaseholder, the failure of Leaseholder in good faith to promptly commence and diligently pursue action to dismiss the petition and said petition is not dismissed within ninety (90) days of filing.

Section 12.01.3.3 A general assignment for the benefit of creditors by Leaseholder.

Section 12.01.3.4 The taking by any party of the leasehold created hereby, or any part thereof, upon foreclosure, levy, execution, attachment or other process of law or equity.

For purposes of this Section 12, the term "Leaseholder" shall include any assignee, sublessee, or guarantor of Leaseholder. This provision, however, shall not be construed to permit the assignment of this Lease, nor the subletting of the Leased Unit, except as may be permitted hereby. The Events of Default specified in Section 12.01.1 shall be deemed not curable, except as provided in such subsections, for purposes of this Lease.

Section 12.02 Lessor's Remedies. If an Event of Default occurs, Lessor shall have the rights and remedies hereinafter set forth, which shall be distinct, separate and cumulative and shall not operate to exclude deprive Lessor of any other right or remedy allowed it by law:

Section 12.02.1 Lessor may terminate this Lease by giving to Leaseholder notice of Lessor's intention to do so, in which event the Term shall end, and all right, title and interest of Leaseholder hereunder and the right of Leaseholder to possession of the Leased Unit or any part thereof shall cease on the date stated in such notice.

Section 12.02.2 Lessor may enforce the provisions of this Lease and may enforce and protect the rights of Lessor hereunder by a suit or suits in equity or at law for the specific performance of any covenant or agreement contained herein, or for the enforcement of any other appropriate legal or equitable remedy, including recovery of all moneys due or to become due from Leaseholder under any of the provisions of this Lease.

ARTICLE XIII ACCESS BY LESSOR

Section 13.01 Lessor, Lessor's agents, and Lessor's prospective Leaseholders, Purchasers or Mortgagees shall be permitted to inspect and examine the Leased Unit at all reasonable times. Lessor shall also have the right to make any repairs to the Leased Unit which Lessor may deem necessary at all reasonable times.

ARTICLE XIV QUIET ENJOYMENT

Section 14.01 If Leaseholder shall perform all of the covenants and agreements herein provided to be performed on Leaseholder's part, Leaseholder shall at all times during the Term have the peaceable and quiet enjoyment of possession of the Leased Unit without any manner of hindrance from Lessor or any parties claiming under Lessor.

ARTICLE XV LEASEHOLDER'S CERTIFICATES

Section 15.01 Certificates. Leaseholder agrees that, upon not less than five (5) days prior request by Lessor, Leaseholder will execute and deliver to Lessor, any mortgagee or prospective mortgagee of Lessor's interest in the Leased Unit, or any purchaser or prospective purchaser of Lessor's interest in the Leased Unit, a statement in writing certifying (i) that this Lease is unmodified and in full force and effect (or if there have been any modifications, the Lease as modified is in full force and effect); (ii) the dates to which the rental and other charges have been paid; (iii) the date of commencement and expiration of the Lease Term; (iv) that to the knowledge of Leaseholder, Lessor is not in default under any provision of this Lease or, if in default, the nature thereof in detail; and (v) such other matters as Lessor may reasonably request.

ARTICLE XVI ATTORNEY'S FEES

Section 16.01 Leaseholder shall pay the Lessor's reasonable legal costs and attorney's fees incurred in successfully enforcing any covenant, term or condition of this Lease.

ARTICLE XVII ACTS OF GOD

Section 17.01 Neither party shall be required to perform any covenant or obligation in this Lease, nor be liable in damages to the other party, so long as the performance or non-performance of the covenant or obligation is delayed, caused by or prevented by an act of God or force majeure. An "act of God" or "force majeure" is defined for purpose of this Lease as strikes, lockouts, sitdowns, material or labor restrictions, riots, floods, washouts, explosions, earthquakes, fire, storms, acts of the public enemy, wars, insurrections and any other cause not reasonably within the control of either party and which by the exercise of due diligence neither party is able, wholly or in part, to prevent or overcome.

ARTICLE XVIII MISCELLANEOUS PROVISIONS

Section 18.01 Waiver. The waiver by either party of any right, term, covenant, condition or breach hereunder shall be in writing signed by the party to be charged to be effective, and a waiver in one instance shall not be deemed to be a waiver of such term, covenant or condition in the future, or of any subsequent breach of the same or any other term, covenant or condition herein contained.

Section 18.02 Notices. All notices and demands which may be or are required to be given by either party to the other hereunder shall be in writing and shall be deemed effective when sent by overnight delivery, postage prepaid, addressed to:

Leaseholder: Bettie J. Mazel
1680 N. Avenida Azahar
Tucson, AZ 85745

Lessor: **Resort Holdings International, S.A.**
Las Cumbres
Via Transmisa
Panama, Rep. de Panama

or to such other person or to such other place as either party may from time to time designate in writing to the other. **Section 18.03 Governing Law.** This Lease shall be governed by the laws of Panama, R.P.

Section 18.04 U.S. Currency. All prices set forth in this Lease are in U.S. Dollars and all amounts due shall be paid in U.S. Dollars.

Section 18.05 Captions and Section Numbers. The captions, article numbers and section numbers in this Lease are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope of intent of such sections or articles of this Lease nor in any way affect this Lease.

Section 18.06 Partial Invalidity. If any clause of this Lease shall be invalid or unenforceable, the remainder of this Lease shall be valid and enforceable.

Section 18.07 Construction. Whenever a word appears herein in its singular form, such word shall include the plural, and the masculine gender shall include the feminine and neuter genders.

Section 18.08 Writing Controls. Lessor has not made any statement, promise or agreement or taken upon itself any engagement whatever, verbally or in writing, that conflicts with the terms of this Lease or in any way modifies, varies, alters, enlarges or invalidates any of the provisions of this Lease, and no obligation of Lessor shall be implied in addition to the obligations herein stated, except as provided in any addenda attached hereto. Any amendment to the terms hereof shall be in writing executed by both parties hereto.

Section 18.09 Successors and Assigns. Except as herein limited, this Lease shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns.

Section 18.10 Addenda. All riders, exhibits and addenda attached to this Lease and signed or initialed by Lessor and Leaseholder are made a part hereof and incorporated herein by reference.

ARTICLE XIX
EARLY TERMINATION
RIGHT OF RESCISSION

Section 19.01 The Leaseholder agrees and accepts that he/she can effect early termination of this agreement, without liability and therefore with the total refund of the sums paid for said Agreement, within 10 working days from the first working day following the signature date, provided he/she so requests Resort Holdings International in writing delivered by hand or pre-paid US mail at the address where the transaction was effected or with the company's address and such provision cannot be waived. Having fulfilled this requirement, RHI shall make the refund in a period of not more than 15 calendar days. Any funds paid by Lessee shall be placed in a non-interest bearing account during the early termination period. The Leaseholder shall be given a copy of the public report before signing the document, if such is required by the state of residency of Leaseholder.

IN WITNESS WHEREOF, the parties hereto have executed this Lease this 10 day of OCTOBER, 2002.

Acknowledgment: By signatures below, the parties verify that they have read, fully understand, and approve this Universal Lease and acknowledge receipt of a signed copy. This Lease was entered into by Lessor in the City of Panama City, Panama. It is agreed that this Lease shall be construed under the laws of Panama, R.P.

"LEASEHOLDER"

"LESSOR"

By: Bettie S. Mazel

Resort Holdings International, S.A.

Printed: Bettie S. Mazel

By: _____

By: _____

Printed: _____

Printed: _____

Title: _____

Check Made Payable To: RESORT HOLDINGS INTERNATIONAL, S.A.

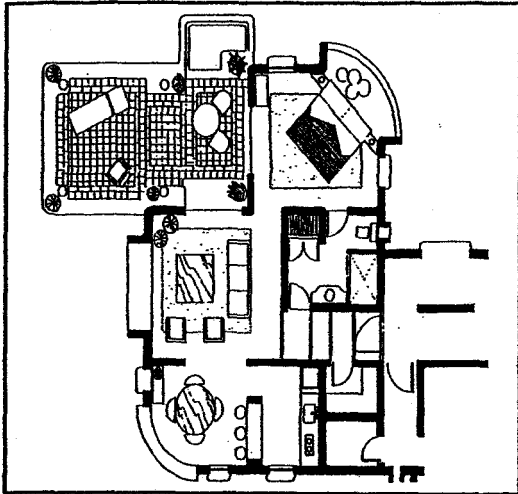
NOTICE TO PURCHASER

Please Allow thirty (30) days for processing.

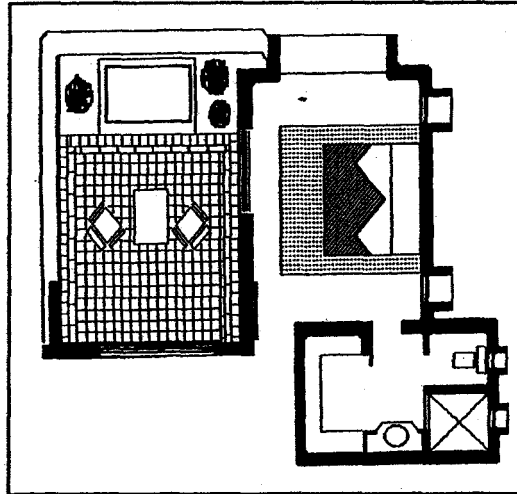
The Lease will be mailed directly to Agent.

Exhibit A FLOOR PLANS

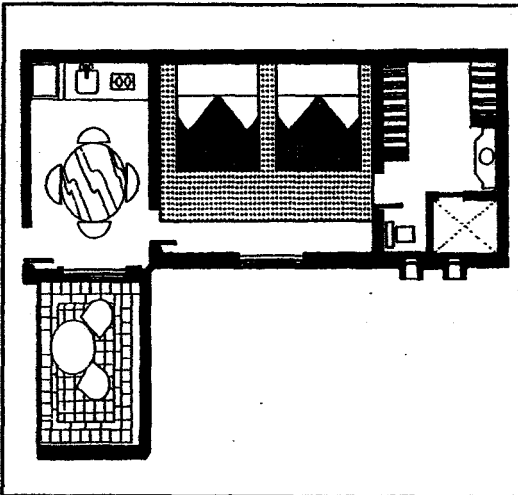
The floor plan indicated below by a check mark (✓) is similar to the floor plan of the Unit leased by the Leaseholder



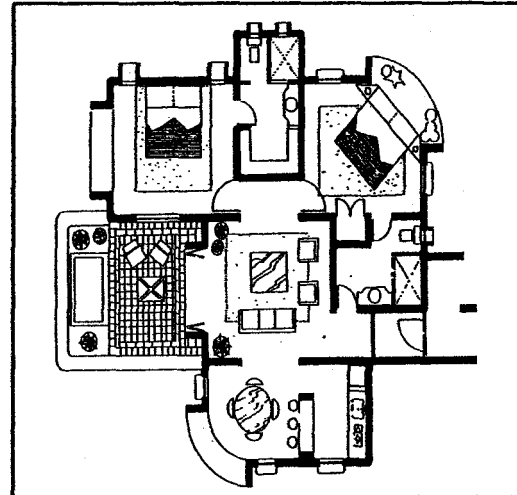
One (1) Bedroom Deluxe Condo



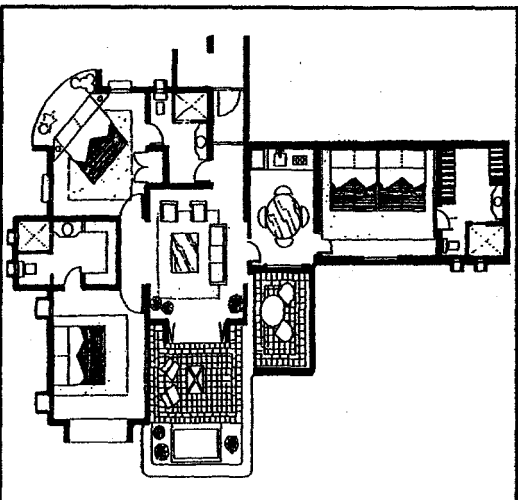
One (1) Bedroom Hotel Room



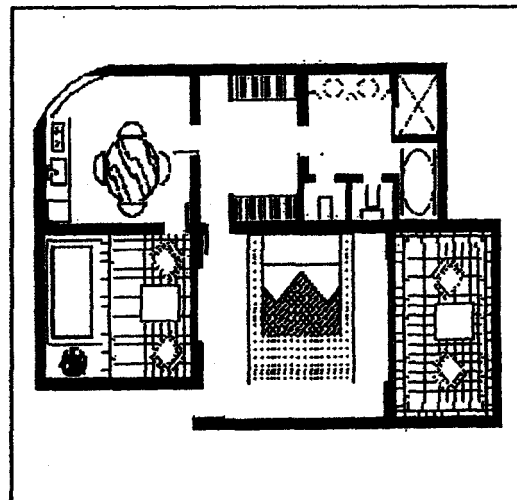
One (1) Bedroom Studio



Two (2) Bedroom Deluxe Condo



Three (3) Bedroom Deluxe Condo



Penthouse Junior Suite

12 of 16

Exclusive Vacation Properties

Exhibit B

WEEK SCHEDULES

Lease Week(s) shall begin on Saturday at 4 p.m., and end the following Saturday at 10 am.

1	5-Jan	15-Jan	4-Jan	11-Jan	3-Jan	16-Jan	1-Jan	8-Jan	7-Jan	14-Jan	6-Jan	13-Jan	5-Jan	12-Jan	3-Jan	16-Jan	2-Jan	9-Jan	1-Jan	8-Jan	7-Jan	14-Jan	6-Jan	13-Jan	5-Jan	12-Jan	3-Jan	16-Jan	2-Jan	9-Jan	
2	16-Jan	26-Jan	15-Jan	25-Jan	17-Jan	28-Jan	15-Jan	22-Jan	21-Jan	26-Jan	25-Jan	27-Jan	16-Jan	26-Jan	17-Jan	28-Jan	16-Jan	23-Jan	15-Jan	22-Jan	21-Jan	26-Jan	25-Jan	27-Jan	16-Jan	26-Jan	17-Jan	28-Jan	16-Jan	23-Jan	
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7	16-Feb	23-Feb	12-Feb	12-Feb	11-Feb	23-Feb	12-Feb	19-Feb	10-Feb	25-Feb	17-Feb	26-Feb	16-Feb	23-Feb	12-Feb	21-Feb	13-Feb	23-Feb	12-Feb	19-Feb	10-Feb	25-Feb	17-Feb	26-Feb	16-Feb	23-Feb	12-Feb	21-Feb	13-Feb	26-Feb	
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Exhibit C
ANNUAL FEE

Leaseholder or its assignees shall pay on or before February 28 of each Lease Year the Annual Operations and Maintenance Fee as set forth below ("Annual Fee"). The Annual Fee shall include Leaseholder's share of (i) all costs associated with operating and maintaining the Common Areas, and Leased Unit, (ii) the property taxes and (iii) the Lessor's insurance. The Lessor may increase the Annual Fee, however, the Lessor may not increase the Annual Fee in any Lease Year by more than the percentage increase in the Consumer Price Index ("CPI") during the previous calendar year plus three percent (3%). The term "Consumer Price Index" shall mean "Consumer Price Index for all Urban Consumers" published by the Bureau of Labor Statistics of the United States Department of Labor.

Leased Unit	Number of Occupant	Annual Fee
Luxury 1-Bedroom Hotel	Private Occupancy 2, Maximum 2	\$380.00 US Dollars
Luxury 1-Bedroom Studio	Private Occupancy 2, Maximum 4	\$390.00 US Dollars
Luxury 1-Bedroom Condo	Private Occupancy 4, Maximum 4	\$480.00 US Dollars
Luxury 2-Bedroom Condo	Private Occupancy 6, Maximum 6	\$525.00 US Dollars
Luxury 3-Bedroom Condo	Private Occupancy 6, Maximum 8	\$580.00 US Dollars
Penthouse Junior Suite	Private Occupancy 2, Maximum 4	\$480.00 US Dollars
Penthouse Presidential Condo	Private Occupancy 6, Maximum 8	\$645.00 US Dollars

**EXHIBIT D
RIGHT TO REPURCHASE**

At any time during the initial Term and any Extension Term, Lessor shall have the option to deliver to Leaseholder written notice that it is exercising its right to purchase the balance of the Leaseholder's leasehold interest. The amount of the purchase price of the Leaseholder's leasehold interest shall depend upon the number of years remaining in the Lease. The Purchase Price shall be calculated in accordance with the schedule set forth below. The closing shall take place within forty-five (45) days after the delivery of the notice.

<u>Lease Year</u>	<u>Right to Repurchase Option Price</u>
0 - 25 Years	Original Purchase Price x 100%

**EXHIBIT E
FIRST RIGHT OF REFUSAL**

Lessor has a right of first refusal to purchase Leaseholder's leasehold interest. Upon receipt by Leaseholder of a bona fide offer from a ready, willing and financially able third party, which offer Leaseholder intends to accept, Leaseholder shall notify Lessor in writing of Leaseholder's intent to sell its leasehold interest. Such notice shall also include a copy of the offer to purchase. Upon the giving of such notice, Lessor shall have the option to purchase the leasehold interest for the higher of (i) the amount set forth in the offer or (ii) the amount calculated in accordance with the schedule set forth below. Such option must be exercised by Lessor by delivering written notice to Leaseholder within thirty (30) days of the date Lessor receives Leaseholder's notice. If Lessor elects to purchase the leasehold interest, such closing shall be consummated within thirty (30) days after Lessor's election.

<u>Lease Year</u>	<u>First Right of Refusal And/Or Redemption Value</u>
0 - 36 Months	Original Purchase Price x 90%
37 Months-25 Years	Original Purchase Price x 100%

RESORT HOLDINGS
Exclusive Vacation Properties

Term of Agreement: 25 Years

[illegible]

RESORT HOLDINGS

Exclusive Vacation Properties

CORPORATE OFFICES & RESORT LOCATIONS:

UNITED STATES OF AMERICA
SOUTH BEND, INDIANA

MEXICO
CANCUN, QUINTANA ROO
ISLA MUJERES, QUINTANA ROO

BELIZE
SAN PEDRO

PANAMA
PANAMA CITY

Visit us at our web site: <http://www.avalonresorts.net/>

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Mexico C.P. 77500

Panama
Las Cumbres
Via Transismica
Panama, Rep. de Panama

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Toll Free US: 1(888) 838-0533
Fax:
Cancun: 011(52)(998)892-1223
Toll Free US: (888) 808-4685

RESORT HOLDINGS INTERNATIONAL

LETTER OF UNDERSTANDING

I BETTIE J. MAZEL am fully aware that I have purchased a Universal Lease from Resort Holdings International S.A. and I have read my Universal Lease Agreement and fully understand and agree to the terms and conditions of the agreement. I understand that I have the ability to own this lease for a term of 25 years with an optional extension term of an additional 20 years. I also understand that I have the right to sell said lease at any time and RHI has the right to purchase the lease at such time I choose to sell.

I understand this Universal Lease allows me the right to **USE my specific vacation unit(s)** in Cancun, Mexico.

I understand this Universal Lease allows me the right to **RENT my specific vacation unit(s)** in Cancun, Mexico.

I understand this Universal Lease allows me the right to **HIRE AN INDEPENDENT THIRD PARTY MANAGEMENT COMPANY** to **RENT my specific vacation unit(s)** in Cancun, Mexico.

I understand that Resort Holdings International is in no way promoting the purchase of the vacation unit(s) for investment purposes and there is no investment guarantee from RHI.

I was presented with the RHI Sales Booklet, a multi page color brochure describing the Universal Lease and the specific resort in which the lease applies.

While I own the lease I have the following options:

1. I can **USE my vacation unit(s)** that I have leased as described in the lease contract.
2. I can **RENT my vacation unit(s)** through my own effort if I desire to do so and collect the rent (if any) for my own income.
3. I can **HIRE AN INDEPENDENT THIRD PARTY MANAGEMENT COMPANY** to **RENT my vacation unit(s)** for me and any rental income is between the independent third party management company and myself. I fully understand Resort Holdings International, S.A. is not responsible for any guarantees, promises, or actions made by any independent third party management company.

I have read the above letter of understanding and have purchased my vacation unit(s) on my own free will without any sales pressure tactics from any representative of RHI.

Signed this 10 day of OCTOBER, 2002

Signed *Bettie J. Mazel* Printed Bettie J. Mazel

Cosigned _____ Printed _____

Witness *Jamalee Sneva* Printed JAMALEE SNEVA

RESORT HOLDINGS
Exclusive Vacation Properties

RESORT HOLDINGS

Exclusive Vacation Properties

IMPORTANT: Please fill out the following information and return this form to your Resort Holdings International Representative.

DELIVERY RECEIPT

I, BETTIE MAZEL, The Leaseholder of Lease number 16227

acknowledge receipt of the above lease. The benefits and provisions have been explained to me and

I fully understand them. The lease was delivered to me on this 24 day of MARCH,

2003 at 12:05 AM (PM)

Signed Bettie Mazel Printed Bettie Mazel Date 3-24-03
Leaseholder Signature

Signed Jawalee Seneia Printed JAWALEE SENEIA Date 3/24/03
Agent Signature

MEXICO
RESORT HOLDINGS CORPORATE OFFICE
ELVICO AVALON RESORTS
AVE. COBA # 82, 3^{er} PISO
CANCUN, QUINTANA ROO
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